

## **EXHIBIT R**

A. RALLIS

ME401100384

Mr. S. E. White  
Vice-President and Actuary

Re Preliminary Recommendation -- 1991 Dividend Scales

Based on the analyses that we have completed thus far, our preliminary recommendation with respect to the 1991 Dividend Scales is as follows:

- (1) Restructure Ordinary scales to better reflect the pattern and incidence of dividends that we had intended to implement in the 1990 scales before "last minute" pegging. This will reduce 1991 payable dividends by \$10 million (1.5%) from \$1243 million to \$1225 million. However, the reduction is concentrated in the most recent blocks of business.
- (2) Maintain Industrial dividends at an aggregate level of about \$71 million, but rebalance expense charges and interest credits to more accurately reflect our emerging experience. We now have the systems capability to implement Industrial dividends using the same theory and processes that we use for Ordinary.

These changes will generate an \$14 million improvement in PI earnings (we arrive at an absolute scale continuation), and they will further the profit and equity refinements that we had initiated last year.

Because the greatest expected scale reduction will occur in the recent blocks (and in new business) I anticipate a significant expression of concern from our Marketing associates. Fortunately, there is time to minimize the perceived competitive impact through careful control over the specific incidence of individual dividends.

We are quite convinced that some reduction is necessary to maintain an appropriate level of long term profitability. If the eventual consensus is to maintain the present level of dividends on the recent business, we recommend serious consideration of loss recognition through reserve strengthening and/or "write-off" of DAC.

Michael Levine  
Actuary

June 7, 1990

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KEY FINANCIAL INDICATORS  
IN MILLIONS

[illegible]

2.1. Personal Identity - Jan 2, 1971

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F.L. Financial Reporting - June 29, 1930

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